

SECTION III

Consolidated Financial Statements



U.S. GOVERNMENT PRINTING OFFICE
Consolidated Balance Sheets
 For the Fiscal Years Ended September 30, 2002 and 2001
 (Dollars in thousands)

	2002	2001
ASSETS		
Current assets		
Fund balance with the U.S. Treasury (Note 2)	\$211,338	\$209,642
Accounts receivable, net (Note 3)	121,488	126,934
Inventories (Note 4)	19,599	22,458
Prepaid expenses	455	374
Total current assets	352,880	359,408
Property, plant, and equipment, net (Note 5)	51,026	50,966
Total assets	\$403,906	\$410,374
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses (Note 6)	\$70,707	\$74,162
Deferred revenues (Note 7)	64,805	59,512
Accrued annual leave	10,056	10,048
Total current liabilities	145,568	143,722
Other liabilities		
Workers' compensation liability (Note 8)	91,216	67,653
Total liabilities	236,784	211,375
Commitments and contingencies (Notes 9 and 10)		
Net position (Note 11)		
Cumulative results of operations:		
Retained earnings	13,327	52,092
Invested capital	92,879	92,879
Unexpended appropriations	60,916	54,028
Total net position	167,122	198,999
Total liabilities and total net position	\$403,906	\$410,374

The accompanying notes are an integral part of these consolidated financial statements.



U.S. GOVERNMENT PRINTING OFFICE

Consolidated Statements of Revenues and Expenses

For the Fiscal Years Ended September 30, 2002 and 2001
(Dollars in thousands)

	2002	2001
OPERATING REVENUES		
Printing and binding	\$555,170	\$550,435
Sales of publications	37,984	42,407
Appropriations	104,626	115,131
Reimbursements	4,528	4,435
Total operating revenues	702,308	712,408
OPERATING EXPENSES		
Printing and reproduction	421,266	415,449
Personnel compensation and benefits	203,803	203,759
Supplies and materials	36,090	39,126
Rents, communications, and utilities	23,836	24,783
Publications sold	8,804	9,558
Depreciation and amortization	7,022	7,338
Other services	6,994	8,333
Surplus publications	5,657	2,270
Travel and transportation	4,038	3,340
Total operating expenses	717,510	713,956
Loss before other operating expenses	(15,202)	(1,548)
OTHER OPERATING EXPENSES		
Changes in workers' compensation liabilities (Note 8)	(23,563)	(31,436)
Impairment loss (Note 16)	-	(12,037)
NET LOSS	\$(38,765)	\$(45,021)

The accompanying notes are an integral part of these consolidated financial statements.

U.S. GOVERNMENT PRINTING OFFICE

Consolidated Statements of Cash Flows

For the Fiscal Years Ended September 30, 2002 and 2001

(Dollars in thousands)

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$(38,765)	\$(45,021)
Adjustments to reconcile net loss to net cash		
Provided by (used in) operating activities:		
Depreciation and amortization	7,022	7,339
Impairment loss	-	12,037
Loss on disposal of property, plant, and equipment	45	(61)
Revenue from donated assets	-	(170)
Changes in assets and liabilities:		
(Increase) decrease in assets-		
Accounts receivable	5,446	19,273
Inventories	2,859	(1,791)
Prepaid expenses	(81)	357
Increase (decrease) in liabilities-		
Accounts payable and accrued expenses	(3,455)	(23,135)
Deferred revenue	5,293	(25,118)
Accrued annual leave	8	(401)
Workers' compensation liability	23,563	31,436
Total adjustments	40,700	19,766
Net cash provided by (used in) operating activities	1,935	(25,255)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(7,374)	(2,387)
Proceeds from sale of property, plant, and equipment	246	107
Net cash used in investing activities	(7,128)	(2,280)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in unexpended appropriations	6,889	12,308
Net cash provided by financing activities	6,889	12,308
Net increase (decrease) in fund balance with the U.S. Treasury	1,696	(15,227)
Fund balance with the U.S. Treasury, beginning of year	209,642	224,869
Fund balance with the U.S. Treasury, end of year	\$211,338	\$209,642

The accompanying notes are an integral part of these consolidated financial statements.



Notes to Consolidated Financial Statements

The Public Printer
of the United States,
appointed by the President of
the United States with the advice
and consent of the U.S. Senate,
serves as the Agency head and
oversees GPO's programs
and operations.

1. Summary of Significant Accounting Policies

A. Reporting Entity

The U.S. Government Printing Office (GPO or Agency) is a Legislative Branch agency of the Federal government. GPO's mission and authority is derived from various statutes codified in Title 44 *Public Printing and Documents* of the *United States Code*. The Congress established GPO to provide the Federal government with an efficient and effective means for the production, procurement, and dissemination of Government information.

The Public Printer of the United States, appointed by the President of the United States with the advice and consent of the U.S. Senate, serves as the Agency head and oversees GPO's programs and operations. These programs and operations are funded through a business-type revolving fund, authorized by 44 U.S.C. §309, and appropriations provided by the Congress. The GPO Revolving Fund maintains a system of accounts and records transactions to comply with the requirements of Section 309 of Title 44.

GPO's programs and operations are subject to the oversight of the Joint Committee on Printing (JCP) which is comprised of members of the U.S. House of Representatives and the U.S. Senate. GPO relies on appropriated funds to finance certain information dissemination programs of the Superintendent of Documents and Congress' printing and binding requirements. Budget requests are subject to review by the House and Senate Appropriations Committees' Subcommittees on Legislative Branch Appropriations. GPO also receives funds from customer agencies as reimbursement for products and services, and from the public for the sale of publications.

B. Accounting Environment

BASIS OF ACCOUNTING

As allowed by the Federal Accounting Standards Advisory Board (FASAB), the consolidated financial statements of GPO have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP), applicable to commercial enterprises. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

BASIS OF PRESENTATION AND CONSOLIDATION

GPO prepares annual financial statements that meet the requirements of 31 U.S.C. §3515(b) in accordance with 44 U.S.C. §309(e). The accompanying consolidated financial statements include all funds under GPO's control that have been established and maintained to account for the resources of the Agency. All significant intra-agency balances and transactions have been eliminated in the preparation of the consolidated financial statements.

The GPO financial statements do not include the effects of centrally administered assets and liabilities of the Federal government, as a whole, such as interest on the public debt, which may in part be attributable to GPO. Other Federal agencies make financial decisions and report certain financial matters on behalf of the entire Federal government, including matters in which individual agencies may be an indirect party. Financial matters maintained or reported by other Federal agencies in which GPO is indirectly involved include employee benefit plans and certain legal situations.

FUNDS

GPO maintains a revolving fund and a general fund to account for its various programs and operations. Each of these funds is a distinct fiscal and accounting entity that accounts for cash and other financial resources together with all related liabilities and equities.

Revolving Fund – The GPO Revolving Fund is an inter-governmental fund established by Congress on July 1, 1953 (44 U.S.C. §309). This business-type revolving fund is available without fiscal year limitation for financing the operation and maintenance of GPO, except for those programs of the Superintendent of Documents that are funded by specific appropriations.

The GPO Revolving Fund is a self-sustaining financial entity used primarily to temporarily finance and account for GPO's Printing and Binding Operations and the Sales of Publications Operations. Accordingly, the two major sources of revenue to the revolving fund are reimbursements from the Congress and other Federal customers for providing printing and binding services, and publication sales to the public.

The Printing and Binding Operations account for the revenues and expenses associated with services provided by GPO's printing plants (i.e., in-plant printing) and Printing Procurement Program (i.e., commercially procured printing).

The costs of these services are recovered through rates charged customers that include direct costs, overhead, and related expenses permitted under 44 U.S.C. §309(b).

The Sales of Publications Program sells Federal government information products to the public. The sales price of a Federal government publication is established in accordance with 44 U.S.C. §1708. Book dealers and purchasers of large quantities may be allowed a price discount of up to 25 percent for purchases.

General Fund — The General Fund is financed by two annual congressional appropriations. These appropriated funds finance the cost of GPO's support of the Congress and the information dissemination provided without charge to recipients by the Superintendent of Documents.

The larger of the two annual appropriations made available to GPO is the Congressional Printing and Binding Appropriation. This appropriation is used to pay the cost of the printing and binding requirements of the Congress, and the printing, binding, and distribution of publications authorized by law to be distributed without charge to the recipient.

The second annual appropriation made available to GPO is the Superintendent of Documents, Salaries and Expense Appropriation. This appropriation is used to fund the following four information dissemination programs of the Superintendent of Documents: the Federal Depository Library Program (FDLP) which includes *GPO Access*, the Cataloging and Indexing Program, the By-Law Distribution Program, and the International Exchange Program. The majority of these appropriated funds finance the FDLP, the largest and most visible Federal government information dissemination program.

These annual appropriations are used to reimburse the GPO Revolving Fund for the cost of printing and binding, and other services and supplies furnished by GPO in accordance with Title 44 *Public Printing and Documents*.

C. Fund Balance with U. S. Treasury

Fund balance with the U.S. Treasury represent all balances in GPO accounts with the Department of the Treasury.

D. Accounts Receivable

Accounts receivable consist of intra-governmental amounts due to GPO, as well as amounts due from the public.

Accounts receivable are shown net of a provision for uncollectable accounts. The allowance for doubtful accounts is based on GPO's recent collection experience.

E. Inventories

Inventories of publications held for sale are valued at the lower of cost, using the weighted average cost method, or market.

Inventories of paper, materials and supplies include the cost of production material (e.g., blank paper, spare parts, ink, and book cloth), as well as the cost of administrative-use supplies. These inventories are valued at the lower of cost, using the weighted moving average cost method, or market.

F. Property, Plant, and Equipment

Property and equipment purchases and additions are valued at cost. Printing equipment transferred to GPO from other Federal agencies is valued in accordance with JCP Regulation Number 26, Government Printing and Binding Regulations. This valuation approximates fair market value.

Major alterations and renovations are capitalized while normal maintenance and repair costs are expensed as incurred. Depreciation and amortization of property, plant, and equipment is calculated on a straight-line basis over the estimated useful life of the asset.

The estimated useful lives for buildings and improvements range from 42 to 50 years, plant machinery and equipment from 5 to 20 years, and motor vehicles from 3 to 6 years. Leasehold improvements are assigned a useful life of 3 years or the life of the lease, whichever is less. Furniture and fixtures and computer hardware have estimated useful lives of 5 years. Computer software is assigned a 3-year useful life. Land is not depreciated.

G. Deferred Revenue

Deferred revenue results from the receipt of customer remittances for products or services that will be delivered or provided in the future. Deferred revenue is recorded as revenue when products or services are produced or provided.

H. Accrued Annual Leave

Annual leave is accrued as a liability when earned, and the liability is reduced when leave is used. Each year the annual leave liability is adjusted to reflect current pay rates. Sick leave

and other types of non-vested leave are expensed when used. There is no limit on the amount of sick leave that may be accumulated, and no payment is made for unused sick leave.

I. Workers' Compensation Liability

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The Department of Labor (DOL) administers the FECA Program, which provides workers' compensation benefits to GPO employees and others through the Special Benefit Fund. GPO annually reimburses DOL for the cost of FECA benefit claims paid on GPO's behalf.

Future workers' compensation estimates are generated from the application of actuarial procedures developed by DOL to estimate the liability for FECA benefits. The liability for future workers' compensation benefits includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases related to injuries incurred but not reported. The liability is determined by utilizing historic benefit payment patterns related to a particular period to estimate the ultimate payments related to that period.

J. Revenue Recognition

Printing and Binding – By law, GPO must be reimbursed for the cost of printing and binding services furnished customers. Revenues from in-house printing and binding work are recognized on a value-added basis, as work is performed, while revenues from commercially procured printing and binding are recognized on the date the contract requirements are fulfilled, which is generally the date of shipment by the commercial printer to the customer agency.

Sales of Publications – Revenues from the sale of publications and subscriptions are recognized when shipped.

Appropriations – Appropriation revenues are recorded when qualifying expenses are incurred. The amount of appropriations expended and the major products or programs funded by appropriations are presented in Note 12B. Unexpended appropriations are recorded as a component of Net Position. Unexpended appropriation balances are generally canceled after five years.

Reimbursements – Revenues for the distribution of publications for other Federal agencies is recorded when services have been performed.

K. Expense Recognition

Printing and Reproduction – This expense represents the cost of printing and reproduction services obtained from the private sector to fill customer orders. The expense is generally recorded on the date of shipment, and is shown net of prompt payment discounts.

Personnel Compensation and Benefits – Personnel compensation primarily consists of wages and salaries paid to GPO employees. Personnel benefits include the GPO's contributions toward employee life and health insurance, and retirement. Personnel compensation and benefits are recorded as expenses when earned by employee.

Supplies and Materials – The most significant cost component in this category is paper used to satisfy in-house printing requirements as well as customer orders for blank paper. The expense is recorded when paper is drawn from inventory or delivered to customers (direct mill-to-customer agency shipments). This category also includes all supplies and materials that are not capitalized, such as personal computers, furniture, office supplies, spare parts, ink, etc. The cost of these items is expensed as issued from inventory.

Rents, Communications, and Utilities – Rents include leases with the General Services Administration (GSA) and other landlords for space, plus rentals of equipment and vehicles. Communications includes telecommunication services and postage expenses. Utilities include electricity, gas, steam, and water service. Expenses are recorded as services are provided.

Publications Sold – This expense represents the cost of publications sold and subscription copies issued to customers. Expenses are recorded at the time of sale or issuance, respectively.

Depreciation and Amortization – Depreciation and amortization is the allocation of an asset's cost over the asset's estimated useful life. Assets include building appurtenances, production and office equipment, motor vehicles, and software costing over \$25,000. The recordation of depreciation and amortization expense begins once the asset is placed in service.

The disclosure of this information is intended to help assess the ability of GPO to generate funds from current operations, to identify financing acquired from outside sources, and to identify the major non-operating (investing) uses of funds.

Other Services — This expense represents the cost of services provided by contractors for audits, investigations, consulting, tuition, and training. The expenses are recognized when services have been provided.

Surplus Publications — This expense represents an estimate of the cost of potentially unsaleable publications held for sale at year end. The estimate is based on each publication's sales history, quantity held in inventory, and an assumed 18-month life cycle.

Travel and Transportation — This category includes the official travel cost of persons conducting audits, inspections, and investigations. Transportation includes the cost of shipping printing and reproduction products from GPO or contractors to customer agencies, Depository Libraries, or other GPO locations. Travel expenses are accrued when they are estimable, while transportation costs are generally recorded on the date of shipment.

L. Consolidated Statements of Cash Flows

The consolidated statements of cash flows identify cash receipts and disbursements and classify each into operating, investing, and financing activity categories. The disclosure of this information is intended to help assess the ability of GPO to generate funds from current operations, to identify financing acquired from outside sources, and to identify the major non-operating (investing) uses of funds.

M. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements, and the amount of revenues and expenses reported during the reporting period. Actual results could differ from these estimates.

2. Fund Balance with the U.S. Treasury

A table of items included in GPO's funds with the U.S. Treasury, including funds on-hand or in-transit to the Treasury, as of September 30, 2002 and 2001 follows.

(Dollars in thousands)

	2002	2001
Fund Balances:		
Revolving fund:		
Unrestricted	\$72,544	\$81,728
Restricted:		
Deposit accounts	53,426	47,607
Other	23,015	23,754
On-hand or in-transit	54	262
Total revolving fund	149,039	153,351
Appropriated Funds:		
Congressional printing and binding	26,780	21,118
Salaries and expenses	17,150	16,371
Supplemental and other	18,369	18,802
Total appropriated funds	62,299	56,291
Total	\$211,338	\$209,642
Status of Fund Balance with the U.S. Treasury:		
Unobligated balance:		
Available	\$14,780	\$35,316
Unavailable	71,795	66,409
Total	86,575	101,725
Obligated balance not yet disbursed	124,763	107,917
Total	\$211,338	\$209,642

Unrestricted funds are available to meet the financial obligations of the Revolving Fund.

Restricted funds are comprised of customer deposit accounts and employees' accrued salaries and annual leave. These funds cannot be used other than for those purposes.

Supplemental and other appropriations include unexpended appropriations made to the GPO for specific purposes as discussed in Note 11B.

Between fiscal year 1998 and fiscal year 2001, GPO provided the U.S. Census Monitoring Board (CMB) with administrative support services for a fee. At September 30, 2002, the U.S. Treasury maintained an account balance for CMB, which was reported by the U.S. Treasury under GPO's accounts. GPO, however, did not include this amount in its Agency's consolidated financial statements. At September 30, 2002, the CMB cash balance with the U.S. Treasury was \$439,993 at September 30, 2002, and \$1,425,272 at September 30, 2001.

3. Accounts Receivable

Accounts receivable as of September 30, 2002 and 2001, consists of the following:

(Dollars in thousands)

	2002	2001
Federal Agencies:		
Unbilled completed work	\$93,416	\$108,954
Unbilled work in process	12,740	10,062
Billed completed work	16,335	9,340
Subtotal	122,491	128,356
Other receivables:		
The public	971	622
GPO employees	1,029	1,148
Subtotal	2,000	1,770
Total accounts receivable	124,491	130,126
Allowance for doubtful accounts	(3,003)	(3,192)
Total accounts receivable, net	\$121,488	\$126,934

The majority of GPO accounts receivable are due from other Federal agencies. Unbilled completed work results from the delivery of goods or the performance of services for which bills have not been presented. At September 30, 2002, this balance included finished work for which invoices have not been prepared of \$47.4 million, unbilled commercial printing of \$37.2 million, and finished work of \$8.8 million that was collected via the U. S. Treasury's Intra-governmental Payment and Collection (IPAC) system in October 2002. At September 30, 2001, this balance included finished work for which invoices had not been prepared of \$33.4 million, unbilled commercial printing of \$45.5 million, and finished work of \$30.1 million that was collected via IPAC in October 2001.

Unbilled work in process represents the value of work performed on customer orders as of September 30, 2002 and 2001, that, by law, must be reimbursed by GPO customers.

Employee accounts receivable includes amounts owed by current and former employees who were advanced leave. Leave indebtedness for employees is repaid in biweekly installments or by other GPO employees on their behalf through the donated leave program.

4. Inventories

The components of inventories as of September 30, 2002 and 2001 are as follows.

(Dollars in thousands)

	2002	2001
Publications for sale	\$7,713	\$9,975
Paper	5,506	5,564
Materials and supplies	6,380	6,919
Inventories	\$19,599	\$22,458

5. Property, Plant, and Equipment

Net property, plant, and equipment as of September 30, 2002 and 2001 consisted of the following.

(Dollars in thousands)

	2002	2001
Land	\$ 9,971	\$9,977
Buildings and improvements	68,542	64,124
Plant machinery and equipment	77,972	75,133
Computers and computer software	22,844	27,590
Furniture and fixtures	3,247	3,084
Motor vehicles	833	3,185
Leasehold improvements	1,035	1,049
Construction and software in process	1,044	1,136
Total	185,488	185,278
Less: Accumulated depreciation and amortization	(134,462)	(134,312)
Net property, plant, and equipment	\$51,026	\$50,966

6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of September 30, 2002 and 2001 were composed of the following:

(Dollars in thousands)		
	2002	2001
Accounts payable:		
Commercial printing	\$34,704	\$42,701
U.S. Government agencies	17,184	12,848
Other	5,861	4,908
Total accounts payable	57,749	60,457
Accrued salaries and wages	12,216	12,968
State and local payroll taxes	742	737
Total accounts payable and accrued expenses	\$70,707	\$74,162

7. Deferred Revenues

As of September 30, 2002 and 2001, deferred revenues from customers consisted of the following:

(Dollars in thousands)		
	2002	2001
Deposit accounts	\$53,426	\$47,607
Subscriptions	8,459	9,206
Unfilled orders	766	1,588
Advance billings	2,154	1,111
Total	\$64,805	\$59,512

GPO held about \$53.4 million in customer deposit accounts as of September 30, 2002. Government customers had advanced about \$48.1 million for printing and binding, and about \$5.3 million for sales of publications. The restricted funds in these deposit accounts will be applied to future orders specified by customers, or refunded upon request.

GPO deferred the recognition of about \$8.5 million in revenues for subscription services that will be provided to customers in the future. Customers pay for subscriptions to the *Congressional Record* and other Government publications in advance of delivery by the Superintendent of Documents. The revenues from subscriptions will be recognized as these periodicals are published and distributed to subscribers.

GPO also deferred the recognition of \$766,000 in revenues for unfilled orders of Government publications. The revenue from these sales will be recognized when the Superintendent of Documents fills the customer's order. GPO will refund the payment in those instances where the publication is no longer available for sale.

Finally, GPO deferred the recognition of about \$2.2 million in revenues for advance billings to Government customers. Advance billings are occasionally used to finance the cost of producing certain large printing and binding jobs. GPO will recognize the revenue as work is completed.

8. Workers' Compensation Liability

The liability estimate recorded by GPO for future workers' compensation benefits was \$91.2 million as of September 30, 2002, and \$67.7 million as of September 30, 2001. The liability estimate for the current year originated from the Department of Labor (DOL), which develops an estimate of future workers' compensation benefits for each department and agency to use for financial accounting and reporting each year. The prior year liability estimate was developed internally by GPO using a statistical methodology. GPO adopted the DOL actuarial liability estimate to comply with new intragovernmental accounting requirements for FECA in the U.S. Treasury, Financial Management Service, *Federal Intragovernmental Transactions Accounting Policies Guide*, dated September 28, 2001. The impact of the change in adopting the DOL liability estimate on the consolidated statement of revenues and expenses for the year ended September 30, 2002 is not available.

The DOL liability estimate includes the expected payments for death, disability, medical, and miscellaneous costs for approved compensation cases, as well as a component for incurred but not reported claims. The liability is determined using historical benefit payment patterns related to specific incurred periods to predict the ultimate payments related to that period. The methodology provides for the effects of inflation and adjusts historical payments to current year constant dollars by applying wage inflation factors (cost of living adjustments or COLA's) and medical inflation factors (consumer price index medical or CPIM's) to the calculation of projected benefits. The compensation COLA's and CPIM's used in the projections for 2002 and 2001 were as follows.

Fiscal Year	COLA		CPIM	
	2002	2001	2002	2001
2002	N/A	3.00%	N/A	4.15%
2003	1.80%	2.56%	4.31%	4.09%
2004	2.67%	2.50%	4.01%	4.09%
2005+	2.40%	2.50%	4.01%	4.09%

Projected annual payments were discounted to the present value based on OMB's interest rate assumptions for ten year Treasury notes. For 2002, interest rate assumptions were 5.2 percent in year one and thereafter. For 2001, interest rate assumptions were 5.21 percent in year one and thereafter.

9. Commitments

9. A. Operating Leases

As of September 30, 2002, GPO was committed to various non-cancelable commercial operating leases, primarily covering warehouse, retail, and office space. Some of these leases contain escalation clauses and renewal options. A schedule of future minimum rental payments required under operating leases by type, which have initial or remaining non-cancelable lease terms in excess of one year, follows.

(Dollars in thousands)

Fiscal Year	Warehouse	Retail	Office	Total
2003	\$1,930	\$243	\$446	\$2,619
2004	2,081	169	437	2,687
2005	1,459	159	432	2,050
2006	736	111	253	1,100
2007	495	96	109	700
2008 and beyond	288	-	7	295
Total minimum lease payments	\$6,989	\$778	\$1,684	\$9,451

Rent expense for the years ended September 30, 2002 and 2001, were \$5,742,000 and \$5,577,000 respectively.

9. B. Commitments on Undelivered Orders

Some of GPO's orders for goods and services have been placed, but have not been delivered at fiscal year-end. Total undelivered orders for all GPO activities were approximately \$101.8 million and \$109.7 million as of September 30, 2002 and 2001, respectively.

10. Contingencies

Administrative Proceedings, Legal Actions, and Claims

GPO is a party in various administrative proceedings, legal actions, and claims brought against the Government by employees, contractors, and other parties. The uncertainty involving the outcome of these pending matters will be determined when future events occur or fail to occur.

GPO did not record any liability for contingencies as of September 30, 2002 and 2001. Management and legal counsel were of the opinion that incurrence of a liability was not probable for any of these contingent matters. In some cases, legal matters relate to contractual arrangements GPO has entered into for goods and services procured on behalf of other Federal agencies. The costs of administering, litigating, and resolving these actions are borne by the GPO Revolving Fund unless the costs can be recovered from another Federal agency. Certain legal matters in which GPO is a named party may be administered and litigated by the U.S. Department of Justice (DOJ) on GPO's behalf. In these cases, amounts paid under any decision, settlement, or award are funded by the DOJ Special Judgment Fund. The DOJ paid a total of \$169,000 and \$34,000 from the fund

on behalf of the GPO for the years ended September 30, 2002 and 2001, respectively. These amounts are not reflected in GPO's consolidated financial statements.

11. Net Position

11. A. Cumulative Results of Operations

Retained Earnings — Retained earnings include net operating results since its inception less returns to the U.S. Treasury from the sales of publications deposited as “miscellaneous receipts” in the Treasury of the United States, and by transfers to other Federal agencies.

Invested Capital — Invested Capital represents Federal resources directly appropriated to GPO by Congress to invest in GPO assets, namely land, buildings, equipment, and capital. The Revolving Fund was established in 1953 with capital appropriations of \$33.8 million and buildings and land with a fair market value in 1953 of \$415,000. Subsequently, Congress provided additional funding to GPO of \$75.5 million for capital, land, and other improvements.

Below is a summary of the changes to the cumulative results of operations in the fiscal years ended September 30, 2002 and 2001.

(Dollars in thousands)

Cumulative Results of Operations	Retained Earnings	Invested Capital	Total
Balance at September 30, 2000	\$97,113	\$92,879	\$189,992
Net loss for fiscal year ended September 30, 2001	(45,021)	-	(45,021)
Balance at September 30, 2001	\$52,092	\$92,879	\$144,971
Net loss for fiscal year ended September 30, 2002	(38,765)	-	(38,765)
Balance at September 30, 2002	\$13,327	\$92,879	\$106,206

11. B. Unexpended Appropriations

As of September 30, 2002, GPO had obligated services for the unexpended appropriations for the Congressional Printing and Binding of \$26,780,000, and Salaries and Expenses of \$15,767,000, for a total of \$42,547,000. These obligated funds represent estimates of expected total costs of open orders as of September 30, 2002. At September 30, 2001, these amounts were \$21,118,000 for the Congressional Printing and Binding and \$14,108,000 for Salaries and Expenses, totaling \$35,226,000.

In fiscal year 2001, the Congress (Public Law 107-20) authorized the use of \$9.5 million from the Congressional Printing and Binding Appropriations to cover the cost of congressional work submitted but not completed. At the end of fiscal year 2002, a balance of about \$7.1 million remained to cover congressional requirements.

Also, Congress authorized the use of \$3.3 million from the Salaries and Expenses Appropriations to pay for the printing and distribution of Government publications selected by the depository libraries. As of September 30, 2002, \$3.2 million remained on hand for the intended purpose.

In August 2001, Congress authorized \$6 million to enable GPO to replace antiquated air conditioning and lighting systems. Of this amount, about \$5.8 million is included as unexpended appropriations as of September 30, 2002. These replacement systems will be capitalized as fixed assets upon completion, along with internal engineering services required in planning and installation.

In January 2002, under the Emergency Response legislation, GPO received \$4 million to improve security and establish backup facilities to ensure continuity of key operations in the event of a National emergency affecting the Washington, DC area. As of September 30, 2002, about \$2.3 million remained in unexpended appropriations.

12. Appropriated Funds

12. A. Available Appropriations

Total net appropriations made available, after rescissions and supplemental appropriations, for fiscal years ended September 30, 2002 and 2001 follow.

(Dollars in thousands)

	2002	2001
Congressional printing and binding	\$81,000	\$81,205
Salaries and expenses	29,639	27,893
Total available appropriations	\$110,639	\$109,098

12. B. Expended Appropriations

Expended appropriations for program operations for the years ended September 30, 2002 and 2001 follow.

(Dollars in thousands)

	2002	2001
Congressional printing and binding:		
Congressional Record products	\$18,648	\$19,727
Miscellaneous publications and printing and binding	21,902	23,658
Hearings	16,857	16,742
Bills, resolutions, and amendments	6,392	10,878
Details to Congress	2,163	2,685
Other	9,376	12,410
Total congressional printing and binding	75,338	86,100
Salaries and expenses:		
Depository library distribution	23,732	25,188
Cataloging and indexing	3,119	3,602
By-law distribution	856	592
International exchange	274	271
Total salaries and expenses	27,981	29,653
Revolving fund:		
Homeland Security	1,714	-
Air conditioning and lighting upgrade	192	-
Total revolving fund	1,906	-
Total expended appropriations	\$105,225	\$115,753
Reconciliation of expended appropriations to the consolidated statements of revenues and expenses:		
Total expended appropriations	\$105,225	\$115,753
Eliminations (Intra-agency)	(599)	(622)
Consolidated revenues from appropriations	\$104,626	\$115,131

13. Employee Benefit Plans

GPO funds a portion of pension contributions for its employees under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), and also makes payroll deductions from employees for their pension contributions. The required employer contributions are established by the U.S. Office of Personnel Management (OPM). OPM is responsible for government-wide reporting of CSRS and FERS assets, accumulated plan benefits, and unfunded liabilities. Therefore, GPO is not required to disclose the unfunded pension liability and post-employment benefits relative to its employees.

Civil Service Retirement System

The majority of GPO's employees were covered by the CSRS, a defined benefit plan. Total GPO (employer) contributions to CSRS for employees covered under this retirement program were 9.01 percent of basic pay in both fiscal years 2002 and 2001 for Congressional Record indexers, investigators, and law officers; and 8.51 percent of basic pay in both fiscal years for all other employees. GPO's contributions were \$8.5 million and \$9 million for the fiscal years ended September 30, 2002 and 2001, respectively.

Federal Employees Retirement System

On January 1, 1987, the Federal Employees Retirement System (FERS) was created pursuant to Public Law 99-335. Using the Social Security system as a base, FERS provides a defined benefit plan (Basic Benefit Plan) and a voluntary (defined contribution) plan. Employees first hired after December 31, 1983 were automatically covered by FERS and Social Security, while employees hired prior to January 1, 1984 were able to choose between joining this plan or remaining in CSRS. Unlike CSRS, FERS offers the Federal government's Thrift Savings Plan (TSP), which requires GPO to contribute 1 percent of an enrolled employee's base pay, and to match voluntary employee contributions of up to 4 percent of base pay.

In both fiscal years 2002 and 2001, GPO (employer) contributions to FERS were 15.4 percent of basic pay for Congressional Record indexers; 23.3 percent of basic pay for investigators and law officers; and 10.7 percent of basic pay for all other employees covered under this plan. Total GPO contributions were \$6.1 million and \$5.6 million in fiscal year 2002 and 2001, respectively. Contributions by GPO to TSP for fiscal year 2002 and 2001 were \$2.2 million, and \$2 million, respectively.

Social Security System

For employees covered by FERS, GPO matches contributions to the Social Security Administration (SSA) under the Federal Insurance Contributions Act (FICA). GPO contributes matching amounts of 6.2 percent of gross pay (up to \$84,900 in 2002 and \$80,400 in 2001) to SSA's Old Age, Survivors, and Disability Insurance (OASDI) Program. Additionally, GPO makes matching contributions for all employees of 1.45 percent of gross pay to SSA's Medicare Hospital Insurance Program. Payments to these programs for the years ended September 30, 2002 and 2001 totaled \$6.2 million and \$5.9 million, respectively.

Pension and Other Post-Employment Benefits Provided by Others

OPM is responsible for the administration and funding of certain Government-wide programs that provide pension and other post-employment benefits to retired employees of the Federal government. These OPM programs provide benefits to former employees of GPO.

OPM administered pension programs include CSRS and FERS. Other OPM programs provide health and life insurance benefits to active, inactive and retired Government employees. Permanent employees of GPO may participate in the Federal Employees Health Benefit Program (FEHBP) and/or Federal Employee Group Life Insurance Program (FEGLIP) before and after their retirement.

FASAB Statement of Federal Financial Accounting Standards (SFFAS) No. 5, *Accounting for Liabilities of the Federal Government*, requires agencies that follow Federal Accounting Standards to recognize their share of the *normal cost* of pension and other post-employment benefits provided by others, such as OPM. To the extent that normal costs exceed current contributions, the standard requires that an additional expense be recognized by the employing agency for the future estimated cost of post-employment benefits not currently funded. SFFAS No. 5 also requires that the estimated expense amount be offset by an equal amount of imputed financing. OPM, which is responsible for these programs, represents the source of imputed financing for the post-employment benefits.

As allowed by the FASAB, GPO has historically elected to prepare its financial statements on the basis of GAAP for commercial enterprises, and accordingly has reflected only the current cost of these programs in its financial statements since OPM is responsible for funding the normal cost component.

14. Concentration of Credit Risk

GPO financial instruments, none of which are held for trading purposes, consist primarily of funds with the U.S. Treasury, accounts receivable, and accounts payable at September 30, 2002 and 2001. GPO estimates the fair value of financial instruments at September 30, 2002 and 2001 to be the carrying value.

15. Major Customers

GPO's primary customers are Federal agencies. Revenues from those customers representing 10 percent or more of GPO's revenues follow.

(Dollars in thousands)

	2002		2001	
	Amount	Percent	Amount	Percent
Department of Defense	\$142,838	20.3%	\$123,517	17.3%
Department of the Treasury	\$94,665	13.5%	\$94,256	13.2%
Department of Health & Human Services	\$76,620	10.9%	\$81,037	11.4%
Congress of the United States	\$77,769	11.1%	\$76,600	10.8%

16. Impairment Loss, Write-down of Software Development Project

In fiscal year 2001, GPO management reconsidered the capitalized costs associated with the Superintendent of Documents Integrated Processing System (IPS) which has been under development since 1995. The software project was initiated to develop a state-of-the-art order processing system to track transactions from order receipt to final shipment, as well as handle customer-related issues. As of September 30, 2001, IPS was not fully operational and had not been deployed by the Superintendent of Documents to replace legacy systems.

The capitalized cost of the IPS system was approximately \$12 million including hardware items required to operate the system. Furthermore, the software was originally assigned a useful life of 5 years upon implementation. However, GPO management made the determination that the 6-year delay in activating the software had rendered the asset "impaired" and negated the future economic benefit to GPO. This resulted in a \$12 million write-down in fiscal year 2001.